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TAGS: [ETRD](#) [IT](#) [EUN](#)

SUBJECT: ITALY'S EU PRESIDENCY: EU/EUROMED INFORMAL TRADE  
MINISTERIAL, PALERMO, JULY 6-7, 2003

Classified By: Economic Counselor Karen Milliken for reasons 1.5 b and  
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[11.](#) (U) Italian trade officials hosted an informal trade ministerial meeting in Palermo July 6-7. The July 6 session included trade ministers from the EU 15 plus the 10 EU accession countries, as well as European Commissioner for External Trade Pascal Lamy and European Free Trade Agreement partners, in a discussion that focused on the upcoming WTO ministerial meeting in Cancun and with EU enlargement. The July 7 session, the Third Euro-Mediterranean trade ministerial conference, included trade officials from the EU's 10 Mediterranean partners (Algeria, Tunisia, Morocco, Egypt, Jordan, Israel, Syria, Lebanon, Turkey and the Palestinian Authority). Trade facilitation and liberalization of trade in services were among the issues discussed at the Euromed meeting.

Informal EU Trade Ministerial  
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[12.](#) (SBU) Embassy trade contacts, including Federico Eichberg, senior advisor to Foreign Trade Vice Minister Adolfo Urso, told econoff that an atmosphere of relief and optimism permeated the July 6 meeting of EU and EU accession country ministers, following the agreement in late June on CAP reform. The EU no longer is on the defensive regarding the lack of CAP reform, and thus being potentially blamed for creating gridlock at the WTO ministerial meeting in September. No decision was made to table a new agriculture proposal ) Eichberg stressed that CAP reform makes future export subsidy cuts doable, even if no decision has been made about their potential size. Predictably, Italy also emphasized increased protection under the WTO for geographical indications for all food products; however, our contact admitted that it might not be possible to achieve any progress on GI expansion by Cancun. Nevertheless, the EU will push to conclude talks at Cancun on GI protection for wine and spirits.

[13.](#) (SBU) No changes to the EU,s approach on other Doha round issues were made at the Palermo meeting, according to ministry contacts and other reports we have seen. On non-agricultural market access the EU remains generally pleased with the Trade Negotiating Committee,s draft paper, but foresees the need for further work to bring developing countries onboard. The EU will continue to push for all four Singapore issues to be negotiated together (Italy is particularly interested in the investment issue). Resolution at/before Cancun of the TRIPS/medicine issue is seen as essential for the perceived success of the ministerial. Eichberg recalled no mention of deadlines, and said Lamy remains optimistic regarding a timely conclusion to the Doha Round.

[14.](#) (SBU) Eichberg noted that, contrary to some press reports, no U.S.-EU bilateral trade disputes were discussed at the July 6 meeting. He said much of the meeting,s content concerned modalities for the ten EU accession countries to integrate into the EU process on developing/implementing trade policy. Italy also presented a proposal to make marks of origin obligatory within the EU, with the goal of giving EU consumers important information regarding a product,s country of origin. Eichberg commented that there was little discussion at Palermo on the proposal (though he said Lamy was supportive), and Italy does not expect the proposal to advance significantly in the near term, given the press of the WTO round.

Euromed Meeting  
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[15.](#) (SBU) Eichberg noted some positive news from the July 7 Euromed meeting, especially the adoption of a protocol on rules of origin for the EU, Mediterranean, acceding countries, and EFTA (which he termed one of the more significant achievements since the Barcelona Process began). In addition to facilitating trade, the new protocol will contribute to continuing efforts to forge a Euromed free

trade area. Eichberg also noted a positive atmosphere among

all the Euromed participants, including between the Israeli and Palestinian contingents. The GOI informally proposed some joint operations among Italy,s Simest (analogous to OPIC) and relevant Israeli and Palestinian entities.

16. (C) Despite the positive atmosphere at Palermo, however, Eichberg was pessimistic about the Barcelona Process ever achieving significant trade expansion between the EU and the Mediterranean basin countries, given the different economic development levels between the two areas. European interest in expanding into central and eastern Europe over the last decade overrode earlier hopes for attracting more EU investment to the south. Eichberg pointed out that Simest attracts very little interest among potential Italian investors in projects in the ten Euromed partners, despite its willingness to underwrite such investments. The economic counselor of the Egyptian Embassy in Rome shared with us similar concerns about Euromed, noting a general disillusionment among the ten that significant progress, much less a free trade area, will ever gain traction. Our Egyptian colleague agreed that EU investors &abandoned8 the Mediterranean in favor of eastern Europe after the end of the cold war.

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